

United States District Court  
For the Northern District of California

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

JOHN BERMAN

No. C-09-4065 MMC

Plaintiff,

v.

OPENTV CORP., LIBERTY MEDIA  
CORPORATION, WINK  
COMMUNICATIONS, INC., and DOES 1-30

Defendants.

**ORDER DENYING PLAINTIFF'S MOTION  
TO REMAND; GRANTING PLAINTIFF'S  
ALTERNATIVE MOTION TO CONSIDER  
FIRST AMENDED COMPLAINT FOR  
JURISDICTION DETERMINATION AND  
REMAND; DENYING DEFENDANTS'  
MOTION FOR PARTIAL SUMMARY  
JUDGMENT; DENYING PLAINTIFF'S EX  
PARTE APPLICATION FOR ORDER TO  
SHOW CAUSE**

Before the Court are plaintiff John Berman's ("Berman") (1) "Motion to Remand" and (2) "Alternative Motion to Consider First Amended Complaint for Jurisdiction Determination and Remand," filed September 1, 2010 and September 3, 2010, respectively, and noticed for hearing October 8, 2010. Defendants OpenTV Corporation ("OpenTV"), Liberty Media Corporation ("Liberty Media"), and Wink Communications, Inc. ("Wink") (collectively, "defendants") have filed opposition, to which Berman has replied. Also before the Court are defendants' "Motion for Partial Summary Judgment," likewise noticed for hearing October 8, 2010, and Berman's "Ex Parte Application for Order to Show Cause Why Rule 11 Violations Have Not Been Made by Defendants' Counselors," by which Berman seeks sanctions for assertedly false representations contained in defendants' Motion for Partial Summary Judgment.

1 Having read and considered the papers filed in support of and in opposition to the  
2 motions, the Court finds the matters suitable for decision on the parties' respective filings,  
3 and rules as follows.<sup>1</sup>

#### 4 BACKGROUND

5 On June 10, 2009, Berman filed suit against defendants in the Superior Court of  
6 California in and for the County of San Mateo. In the initial complaint ("Initial Complaint"),  
7 Berman alleged that, on July 25, 2000, he and Wink entered into a Settlement and License  
8 Agreement ("S & L Agreement" or "Agreement") for the purpose of resolving an earlier  
9 patent infringement lawsuit brought by Berman against Wink. As alleged in the Initial  
10 Complaint, the S & L Agreement granted Wink, in exchange for a one-time "lump sum" fee,  
11 a license to use plaintiff's patents in the manufacture and sale of Wink products, which  
12 license was not assignable except as part of Wink's acquisition by or merger with another  
13 company; Wink was to inform Berman of any such acquisition or merger, and the license  
14 would be limited to products Wink had "documented and dated" prior to the acquisition or  
15 merger, or their functional equivalents. (Initial Compl. ¶¶ 5, 9.)

16 The Initial Complaint further alleged that, in or about October 2002, Wink was  
17 acquired by Liberty Media, which shortly thereafter transferred ownership to OpenTV, thus  
18 triggering the above-referenced clause limiting the license to Wink's pre-acquisition  
19 products. Lastly, the Initial Complaint alleged that "[d]efendants were and still are, making  
20 use of the [p]atents beyond the applications covered by the lump sum licensing fee paid  
21 pursuant to the S & L Agreement." (Initial Compl. ¶ 9.)

22 Based on the above allegations, Berman asserted two state law claims: (1) "Breach  
23 of Contract," and (2) "Fraud by Promise Made without Intent to Perform."

24 On September 2, 2009, defendants removed the action from the state court to this  
25 District pursuant to 28 U.S.C. §§ 1338, 1441, and 1446.

26 Thereafter, on August 13, 2010, Berman filed his First Amended Complaint for  
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28 <sup>1</sup> By order filed October 6, 2010, the Court vacated the hearing on the motions.

1 Damages (“FAC”), by which Berman removed all references to defendants’ use of his  
 2 patents and added an allegation that the Agreement’s “upon-acquisition” limitation “restricts  
 3 an acquirer’s right to make, use, sell, offer for sale, import, [or] develop modified Wink  
 4 Products” (FAC ¶ 5)<sup>2</sup>; the FAC describes said restriction as a “software freeze” (*id.*) and  
 5 alleges defendants “are making use of and marketing modified Wink Products,” which  
 6 activities are “contrary to the restriction-upon-acquisition,” (FAC ¶ 9).

7 Shortly after the filing of the FAC, Berman filed the instant motions.

## 8 **LEGAL STANDARD**

### 9 **A. Remand of Initial Complaint**

10 Removal is proper under 28 U.S.C. § 1441(b) for actions over which a federal district  
 11 court could have exercised original jurisdiction. The removing party bears the burden of  
 12 establishing removal is proper. See Emrich v. Touche Ross & Co., 846 F.2d 1190, 1195  
 13 (9th Cir. 1990). Removal statutes are strictly construed, such that any doubts must be  
 14 resolved in favor of remand. Gaus v. Miles, Inc., 980 F.2d 564, 566 (9th Cir. 1992).

15 Federal district courts have original and exclusive jurisdiction in “any civil action  
 16 arising under any Act of Congress relating to patents.” 28 U.S.C. § 1338(a). Federal  
 17 jurisdiction under § 1338(a) extends “only to those cases in which a well-pleaded complaint  
 18 establishes that federal patent law creates the cause of action or that plaintiff’s right to relief  
 19 necessarily depends on resolution of a substantial question of federal patent law, in that  
 20 patent law is a necessary element of one of the well-pleaded claims.” Christianson v. Colt  
 21 Indus. Operating Corp., 486 U.S. 800, 808–09 (1988).

22 To determine the applicability of §1338(a), courts look to “what necessarily appears  
 23 in the plaintiff’s statement of his own claim . . . , unaided by anything alleged in anticipation  
 24 or avoidance of defenses.” *Id.* at 809. “If on the face of a well-pleaded complaint there are  
 25 reasons completely unrelated to the provisions and purposes of the patent laws why the

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 27 <sup>2</sup> As alleged in the FAC, the Agreement defines “Wink Products” as the products  
 28 “Wink has made, used, sold, offered for sale or imported to the United States and is  
 currently and in the future will continue, making, developing, using, selling, offering for sale  
 or importing to the United States . . . and services using said products.” (FAC ¶ 5.)

1 plaintiff may or may not be entitled to the relief it seeks, then the claim does not arise under  
2 those laws.” Id.

3 Federal jurisdiction does not arise merely because a patent or a patent application is  
4 involved in the underlying dealings between the parties. See Id. at 809. Nor is it sufficient  
5 that a state cause of action requires examination, discussion, or citation of patent-related  
6 laws and regulations. See Kroll v. Finnerty, 242 F.3d 1359, 1365–66 (Fed. Cir. 2001). On  
7 the other hand, “a plaintiff may not defeat removal by omitting to plead necessary federal  
8 questions.” Rivet v. Regions Bank of La., 522 U.S. 470, 475 (1998). “[M]erely because a  
9 claim makes no reference to federal patent law does not necessarily mean the claim does  
10 not ‘arise under’ patent law.” Christianson, 486 U.S. at 809 n.3.

#### 11 **B. Remand of Amended Complaint**

12 Where a complaint is properly removed to federal court, but where a subsequent  
13 amendment to the pleadings eliminates the federal question, the district court has  
14 discretion as to whether to remand the remaining claims, or whether to exercise pendent  
15 jurisdiction. See Carnegie-Mellon Univ. v. Cohill, 484 U.S. 343, 350 (1988) (holding  
16 “pendant jurisdiction is a doctrine of discretion,” by which “the values of judicial economy,  
17 convenience, fairness, and comity” are implicated (internal quotation and citation omitted));  
18 see also Sparta Surgical Corp. v. Nat’l Ass’n of Sec. Dealer, Inc., 159 F.3d 1209, 1213 (9th  
19 Cir. 1998) (noting “a plaintiff may not compel remand by amending a complaint to eliminate  
20 the federal question upon which removal was based”).

#### 21 **DISCUSSION**

22 Berman contends (1) removal of the Initial Complaint was improper because the  
23 Initial Complaint did not present a federal question; and (2) even if removal of the Initial  
24 Complaint was appropriate, the Court should exercise its discretion to remand because any  
25 federal question has been removed from his amended complaint. Defendants contend (1)  
26 removal was proper and (2) a federal question remains in the FAC because Berman’s  
27 claims require resolution of a substantial question arising under federal patent law,  
28 specifically, whether defendants infringed Berman’s patents.

**A. Removal of Initial Complaint**

The Initial Complaint accused defendants of breaching the S & L Agreement by defendants' "making use of [Berman's] [p]atents beyond the applications covered" by the Agreement. (Initial Compl. ¶ 9.) Where a plaintiff asserts that a breach of contract occurs from a defendant's infringement of the plaintiff's patents, the breach of contract claim necessarily depends on resolution of a substantial question of patent law. See U.S. Valves, Inc. v. Dray, 212 F.3d 1368, 1372 (Fed. Cir. 2000) (finding patent jurisdiction over breach of contract claim where breach alleged was defendant's sale of products covered by patent).

Here, in his Initial Complaint, Berman expressly alleged that, by selling certain products, defendants breached the S & L Agreement by "making use of [his] [p]atents" beyond the use allowed under the Agreement. Resolution of said claim would require a court to construe the patent to determine whether such products were covered by Berman's patents. Consequently, "patent law is a necessary element of one of the well-pleaded claims" in the Initial Complaint.<sup>3</sup> See Christianson, 486 U.S. at 808–09.

**B. Remand of FAC**

In the FAC, as noted, Berman no longer alleges that defendants' used plaintiff's patents, and, instead, alleges more generally that defendants' activities are "contrary to the restriction-upon-acquisition." (FAC ¶ 9.)<sup>4</sup>

Defendants argue federal jurisdiction nonetheless continues to exist because Berman can only establish a breach of the S & L Agreement if he ultimately proves defendants infringed his patents. In response, Berman states he is pleading, in the FAC, that the agreement is breached by defendants' post-acquisition sale of any non-

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<sup>3</sup> Berman's fraudulent inducement claim does not arise under federal law. The question of whether Wink intended to fulfill its obligations under the S & L Agreement when it entered into such contract does not require interpretation of any patent or resolution of a substantial question of federal law.

<sup>4</sup> Similarly, the FAC no longer requests a reasonable licensing fee as a prayer for damage.

1 functionally-equivalent modified Wink products, irrespective of whether such products  
2 infringe his patents. (See Reply at 11:8-12 (“[T]he [A]greement is breached by shipping  
3 post-acquisition, modified Wink Products . . . because it’s not just infringing products that  
4 are addressed by the Agreement.”).)

5 Berman is free to disavow any rights he might have under federal law. By amending  
6 his complaint to remove any allegation that defendants are infringing his patents and by  
7 disavowing any claim based on patent infringement, Berman has eliminated any need to  
8 consider a substantial question of federal law. See, e.g. Tech. Licensing Corp. v. Intersil  
9 Corp., No. C 09-04097 RS, 2009 WL 5108395, at \*2–3 (N.D. Cal. Dec. 18, 2009) (holding  
10 that “plaintiffs’ insistence . . . that they have not relied, and will not rely, on any aspect of  
11 federal patent law to support their state law [unfair competition] claims is sufficient to defeat  
12 federal jurisdiction”; noting “[p]laintiffs’ choice to forego reliance on [federal patent law], of  
13 course, will be binding . . . [and] plaintiffs will be precluded from arguing in state court  
14 defendants’ conduct is unfair, fraudulent, or illegal by virtue of [federal patent law] or any  
15 other federal law”).

16 Accordingly, as federal question jurisdiction no longer exists and the case is in its  
17 early stages, the Court will exercise its discretion to remand. See Carnegie-Mellon, 484  
18 U.S. at 350 (“[W]hen the federal law claims have dropped out of the lawsuit in its early  
19 stages and only state-law claims remain, the federal court should decline the exercise of  
20 jurisdiction.”)

### 21 Conclusion


22 For the reasons stated above, plaintiff’s Motion to Remand is hereby DENIED;  
23 plaintiff’s Alternative Motion to Consider First Amended Complaint for Jurisdiction  
24 Determination and Remand is hereby GRANTED, and the above-titled action is hereby  
25 REMANDED to the Superior Court of California in and for the County of San Mateo.

26 In light of the above, defendants’ Motion for Partial Summary Judgment and  
27 Berman’s Ex Parte Application for Order to Show Cause are hereby DENIED without  
28 prejudice to refiling in state court.

1 The Clerk shall mail a copy of this order and a copy of the file to the Clerk of said  
2 Superior Court, and shall close the file.

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4 **IT IS SO ORDERED.**

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6 Dated: October 12, 2010

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8 MAXINE M. CHESNEY  
9 United States District Judge  
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